

REMARKS

As noted previously, Applicant appreciates the Examiner's thorough examination of the subject application.

Claims 1-4, 6-21, 23-48, and 50-56 are pending in the present application. In the final Office Action mailed 19 March 2008, claims 1-4, 6-21, 23-48, and 50-56 were rejected on various grounds, as described in further detail below. Claims 1, 7-9, 13, 16-18, 24-26, 30, 33-35, 39, 42-45, and 52-56 are amended herein. No new matter has been added.

Based on the foregoing amendments and the following remarks, Applicant requests reconsideration and further examination of the subject application.

Claim Rejections - 35 U.S.C. § 112

Claims 1, 18, 39, 49, 55, and 56

Concerning items 2-3 of the Office Action, the Examiner maintained the rejection of claims 1, 18, 39, 49, 55, and 56 under 35 U.S.C. § 112, second paragraph, as being indefinite for failing to particularly point out and distinctly claim the subject matter that the Applicant regards as the invention. More specifically, the Examiner stated that for claims 1, 18, 39, 49, 55, and 56, the phrase "one or more indices" led to indefiniteness.

By the present amendment, the phrase "one or more indices" in claims 1, 7-9, 13, 16-18, 24-26, 30, 33-35, 39, 42-45, and 52-56 has been replaced with "an index" or where appropriate "the index" or "said index." Applicant notes that the phrase "an index" can include reference to a plurality of indices, and based on the amended claim language, the corresponding number of indices would carry over to the subsequent instances of "indices" in the appropriate part of the base claim or dependent claims. Applicant also notes that claim 49 has been canceled. Thus, it is respectfully

submitted that the rejection of claims 1, 18, 39, 55, and 56 under 35 U.S.C. § 112, second paragraph, have been overcome.

Claims 4, 12, 21, and 29

Concerning item 6 of the Office Action, claims 4, 12, 21, and 29 were rejected under 35 U.S.C. § 112, second paragraph, as being indefinite. More specifically, the Examiner contends that a limitation in the bases claim indicates “at the same time” and that this limitation conflicts with the limitation of the dependent claims that recite “not at the same time.” The argument is traversed and reconsideration is requested as the base claims, e.g., claim 1, do not expressly recite temporal limitations, so no conflict exists with the dependent claims that do, e.g., claims 4, 12, 21, and 29.

Applicant submits that the foregoing amendments and remarks overcome and/or render the Examiner’s rejections claims 4, 12, 21, and 29 under 35 U.S.C. § 112 as moot.

Claims 13 and 30

Concerning item 7 of the Office Action, the Examiner maintained the rejection of claims 13 and 30 under 35 U.S.C. § 112, second paragraph, as being indefinite. For the rejection, the Examiner stated that he could “not find an indication in the specification of the claims that defines the specific metes and bounds intended by the term ‘threshold value.’” Applicant traverses the rejection and requests reconsideration for the following reasons.

It is noted that “threshold” is described in the specification as filed, e.g., at least on page 23, line 13; page 57, lines 12-13; and page 63, lines 6-7. Applicant further notes that the term “threshold” is intended to include reference to its dictionary definition, e.g., “the point that must be exceeded to begin producing a given effect or result or to elicit a response.” See threshold. (n.d.). *The American Heritage® Dictionary of the English Language, Fourth Edition*. Retrieved July 17, 2008, from Dictionary.com website: <http://dictionary.reference.com/browse/threshold>. Thus,

Applicant submits that the rejection of claims 13 and 30 under 35 U.S.C. § 112, second paragraph, should be withdrawn.

Claim Rejections - 35 U.S.C. § 102

Concerning items 8-10 of the Office Action, claims 1-56 were rejected under 35 U.S.C. § 102(b) as being anticipated by Mayo (“Investments, and Introduction,” Fourth Ed., The Dryden Press, ISBN:0-03-097647-2, 1993, pgs. 521-627) (hereinafter referred to as “Mayo”). Applicant (noting that claims 5, 22, and 49 were previously canceled) traverses the rejection and requests reconsideration for the following reasons.

One requirement for a rejection under 35 U.S.C. § 102(b) is that the cited reference teach each and every limitation as arranged in the claim(s) at issue. In this situation, Mayo fails to teach (or suggest) each and every limitation of claims 1-56, as described below.

Amended claim 1, representative of the independent claims at issue, recites:

1. A method of providing shares in a proxy asset set, each proxy asset in said proxy asset set having a proxy asset account value, said method comprising:
 - A. defining a proxy asset set account value equal to the sum of the account values of all proxy assets in said proxy asset set, including constraining said proxy asset set account value by a value of a resource pool including one or more illiquid assets;
 - B. defining a first set of shares representing claims on a first subset of said proxy assets, wherein said first set of shares experience an increase in value as a function of a positive change in an index;
 - C. defining a second set of shares representing claims on a second subset of proxy assets, wherein said second set of shares experience an increase in value as a function of a negative change in the index;
 - D. shifting value between said first set of shares and said second set of shares as a function of a change in the index; and
 - E. offering said first set of shares and said second set of shares to another individual, wherein at least some shares from one or both of said first set of

shares and said second set of shares may be procured, without a requirement of procuring sets of shares composed of shares from said first set of shares and said second set of shares.

[Emphasis added]

In contrast, Mayo is directed to and teaches general investment techniques and vehicles including futures contracts and arbitrage transactions. Despite what the Examiner alleges, Mayo is not understood as teaching proxy assets as recited in Applicant's claims, which, *inter alia*, provide that proxy assets are based on one or more illiquid assets as described by Applicant in the specification of the subject application; nor does Mayo actually teach or suggest steps A through E of claim 1 for proxy assets.

For the rejection, it appears that the Examiner has cited a portion of Mayo that describes arbitrage and futures trading, equated such trading to Applicant's "proxy asset," and then in a conclusory manner, stated that Mayo therefore anticipates the claims of the subject application.

Mayo does not, however, recite each and every element as arranged in Applicant's claims, as is required for a proper rejection under 35 U.S.C. § 102.

The portion of Mayo cited by the Examiner as teaching the elements of Applicant's independent claims, e.g., claim 1, recites only the following:

The previous chapter explained why an option's intrinsic value sets a floor on the option's price. If the price were to decline below the intrinsic value, an opportunity for arbitrage would exist. The same concept applies to stock index futures except in this case the option is replaced by the index futures and the individual stock by the stock basket.

The idea may be explained by a simple example. Suppose the S&P stock index stands at 300 and the futures contract is trading at 301.5. Assume that the contract has a value of 500 times the index, so the value of each contract is \$150,750. The arbitrageur shorts the future and buys \$150,000 worth of stock in the index (or shares in the basket). In effect the arbitrageur has paid \$150,000 for \$150,750 worth of stock, because the arbitrageur has already

entered into a contract for the sale of the stock at \$150,750 through the short position in the futures.

If, after executing the position, the futures price declines or the prices in the index rise, the arbitrageur will close both positions (referred to as unwinding) and make a profit. For example, suppose the prices of the stocks rise sufficiently that the index is 301.50 and the future contract has only risen to 302. The arbitrageur may now sell the stocks and repurchase the futures contract. The loss on the futures is \$250 ($301.5 \times \500 minus $302 \times \$500$) while the gain on the stock is \$750 ($301.5 \times \500 minus $300 \times \$500$). Since all the transactions can occur in a matter of minutes, there is negligible cost of carrying the positions. The arbitrageur need only carry the transaction cost associated with the trades.

[Mayo, page 601, paragraphs 4-6]

The above-cited portion of Mayo, at the very least, fails to teach or suggest the following from amended claim 1:

- A. defining a proxy asset set account value equal to the sum of the account values of all proxy assets in said proxy asset set, including constraining said proxy asset set account value by a value of a resource pool including one or more illiquid assets;
- B. defining a first set of shares representing claims on a first subset of said proxy assets, wherein said first set of shares experience an increase in value as a function of a positive change in an index;

Moreover, it is submitted that Mayo fails to teach or suggest the other limitations as specifically set forth in amended claim 1 and the remaining independent claims.

In support of the rejection, the Examiner stated (in item 10) that “Mayo, discloses, on Page 586, paragraphs 1 and 2 and Exhibit 20.1, that futures contracts and arbitrage transactions include proxy assets for commodities such as wheat or cattle which is an illiquid asset.” Applicant notes that Mayo does teach arbitrage and futures trading of cattle and wheat, but as described above, such is not the equivalent to Applicant’s claimed systems and methods for proxy assets.

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Thus, as Mayo does not teach or suggest all of the limitations as arranged in Applicant's independent claims, Mayo is an improper basis for a rejection of claims 1-4, 6-21, 23-48, and 50-56 under 35 U.S.C. § 102(b), and withdrawal of the rejection is accordingly requested.

Summary

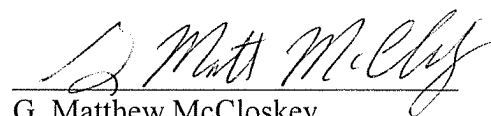
In view of the amended claims and remarks submitted herein, Applicant respectfully submits that all of the claims now pending in the subject application are in condition for allowance, and respectfully request a Notice of Allowance for the application.

If a telephone conference will expedite prosecution of the application, the Examiner is invited to call the undersigned. Authorization is hereby given to charge our deposit account, No. 50-1133, for any fees that may be required for the prosecution of the subject application.

A Petition for Extension of Time (one month) and a Requested for Continued Examination ("RCE") under 37 CFR § 1.114 are included with this paper.

Respectfully submitted,

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